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MCWATTERS GOLD MINES, LIMITED

Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 1963

McWatters Gold Mines, Limited

OFFICERS

S. A. PERRY	-	-	-	-	-	-	-	-	-	-	-	President
W. W. WEBER	-	-	-	-	-	-	-	-	-	-	-	Vice-President
G. D. PATTISON	-	-	-	-	-	-	-	-	-	-	-	Secretary-Treasurer
R. D. BELL	-	-	-	-	-	-	-	-	-	-	-	Assistant Secretary-Treasurer

DIRECTORS

R. D. BELL	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
G. D. PATTISON	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
S. A. PERRY	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
W. W. WEBER	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
HARLOW H. WRIGHT	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

EASTERN & CHARTERED TRUST COMPANY	-	-	Toronto, Ontario
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AUDITORS

RIDDELL, STEAD, GRAHAM & HUTCHISON	-	-	Toronto, Ontario
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HEAD OFFICE

SUITE 405, 25 ADELAIDE STREET WEST	-	-	Toronto, Ontario
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McWatters Gold Mines, Limited

Suite 405, 25 Adelaide Street West
TORONTO 1, ONTARIO

Report of the Directors

To the Shareholders,
McWATTERS GOLD MINES, LIMITED.

Presented herewith is the financial statement of your Company for the year ended December 31, 1963 with Auditors' Report thereon dated March 3, 1964.

During 1963 your Company in partnership with Delhi Pacific Mines Limited completed a program of geological mapping, geophysical surveys and diamond drilling on twenty-four optioned mining claims comprising approximately 2,400 acres in the Township of Malartic, Quebec. Several short core lengths in the 4,022 feet drilled, returned mineralization associated with quartz filled fractures or carbonated zones. Assays, however, gave negligible results and work was terminated in August, 1963.

Late in 1963 the Company acquired by staking a group of forty mining claims situated in Township 1408, Abitibi Territory, Quebec, approximately eighty miles north of the Mattagami Lake area. Geophysical surveys have been completed on this property and twenty-six anomalous areas have been outlined. These anomalies are located in a geological environment favourable for the presence of valuable mineral deposits and it is interpreted that they are primarily caused by sulphide mineralization. Our technical consultants, Simard, Knight and Associates, have recommended a systematic investigation of these anomalous conditions by diamond drilling, geological mapping and surface trenching in order to determine if precious metal or base metal mineralization is present. It is anticipated that this work will commence about the middle of June.

A program of surface exploration was carried out on the Company's claims in the Township of Blondeau, Quebec, last summer. The results of this program were negative, and following the recommendation of the Company's consultants these claims will be abandoned on their expiry dates.

No further work was performed or is planned for the claims in Langmuir Township situated near Timmins, Ontario, where diamond drilling during 1962 indicated a small uneconomic deposit of nickel-bearing material.

Submitted on behalf of the Board of Directors,

S. A. PERRY,
President.

Toronto, Ontario,
May 11, 1964.

McWATTERS GOLD

(Incorporated under The

Balance Sheet as at

ASSETS

CURRENT ASSETS

Cash	\$18,060.81	
Government of Canada bonds — at cost (quoted market price \$45,875.00)	50,000.00	
Interest bearing deposit with broker	76,249.95	
Accounts receivable	1,250.00	\$145,560.76

SHARES IN OTHER MINING COMPANIES — at cost, less amounts written off (quoted market price \$425,072.66)		332,655.63
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INVESTMENT IN AFFILIATED COMPANY

Shares — at cost	49,089.76	
Advances	6,781.00	55,870.76

PROPERTY AND RELATED EXPENDITURES

Interest in mining claims — at cost including exploration expenditures of \$74,739.69 (note)		89,774.02
		<u>\$623,861.17</u>

AUDITOR

To the Shareholders,
McWatters Gold Mines, Limited.

We have examined the balance sheet of McWatters Gold Mines, Limited as at December 31, 1963, and the statement of expenses and deficit for the year then ended and have obtained all the information and evidence necessary to verify the accuracy of the figures and the propriety of the procedures and such tests of accounting records and other supporting evidence as we considered appropriate.

In our opinion and according to the best of our information and the explanations given to us, the balance sheet and statement of expenses and deficit of the company as at December 31, 1963 and the results of its operations for the year then ended are in accordance with the accounting records and the results of the preceding year.

March 3, 1964.

MINES, LIMITED

(Companies Act of Canada)

December 31, 1963

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities \$ 1,657.53

SHAREHOLDERS' EQUITY

Capital stock —

Authorized —

5,000,000 shares of no par value

Issued and fully paid —

1,025,000 shares — for property \$ 110,000.00

2,657,506 shares — for cash 1,007,170.04

3,682,506 1,117,170.04

Deficit 494,966.40 622,203.64

Approved on behalf of the Board:

S. A. PERRY, Director.

G. D. PATTISON, Director.

\$623,861.17

REPORT

per 31, 1963 and the statements of exploration and development expenses, administrative
ations we have required. Our examination included a general review of the accounting
red necessary in the circumstances.

to us and as shown by the books of the company, the accompanying balance sheet and
properly drawn up so as to exhibit a true and correct view of the state of the affairs of
, in accordance with generally accepted accounting principles applied on a basis consistent

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

McWatters Gold Mines, Limited

Note to Financial Statement

For the Year Ended December 31, 1963

PROPERTY AND RELATED EXPENDITURES

Property and related expenditures include the following:

	<u>Original Cost</u>	<u>Exploration Expenditures</u>
Interest in 55 unpatented mining claims in the Township of Langmuir, Ontario. The company entered into an agreement with another mining company to share equally the costs of exploration of these mining claims. Under the terms of the agreement the other company is in default on its share of costs by approximately \$25,000. As a result, their interest in the properties at December 31, 1963 was reduced from 50% to approximately 10%. They may restore their interest to 50% by payment of the amount in default plus a penalty of 50% of this amount or a total of approximately \$37,000	\$ 884.33	\$55,300.62
19 Mining claims in the Township of Blondeau, Quebec	8,000.00	8,088.64
40 Mining claims in the Territory of Abitibi, Quebec	2,400.00	86.77
50% Interest in an option on 24 mining claims in the Township of Malartic, Quebec	3,750.00	11,263.66
	<u>\$15,034.33</u>	<u>\$74,739.69</u>

McWatters Gold Mines, Limited

Statement of Administrative Expenses

For the Year Ended December 31, 1963

Administration fees	\$ 6,000.00
Directors' fees	1,000.00
Legal and audit	1,125.00
Registrar and transfer agent's fees	1,130.45
Office and general expense	938.11
	<u>10,193.56</u>
Deduct — Interest earned	5,449.19
NET EXPENSES FOR THE YEAR	<u>\$ 4,744.37</u>

Statement of Deficit

For the Year Ended December 31, 1963

BALANCE DECEMBER 31, 1962	\$456,957.69
Add —	
Helium exploration rights abandoned — cost	19,833.33
Exploration and development expenses written off	13,431.01
Net administrative expenses for the year	4,744.37
BALANCE DECEMBER 31, 1963	<u>\$494,966.40</u>

McWatters Gold Mines, Limited

Statement of Exploration and Development Expenses

For the Year Ended December 31, 1963

	Balance December 31, 1962	Expenditures for the Year	Written Off to Deficit	Balance December 31, 1963
PROVINCE OF SASKATCHEWAN —				
Helium agreements				
Seismic surveys and review	—	\$13,212.51	\$13,212.51	—
TOWNSHIP OF LANGMUIR —				
Mining claims	\$55,225.62	75.00	—	\$55,300.62
TOWNSHIP OF BLONDEAU —				
Mining claims				
Survey	—	3,394.30	—	3,394.30
Line cutting	—	1,405.25	—	1,405.25
Consulting	200.00	500.00	—	700.00
Wages	—	1,127.69	—	1,127.69
Licenses	—	700.00	—	700.00
Supplies	—	225.00	—	225.00
Transport	—	347.31	—	347.31
General	158.67	30.42	—	189.09
	358.67	7,729.97	—	8,088.64
TERRITORY OF ABITIBI —				
Mining claims	—	86.77	—	86.77
TOWNSHIP OF MALARTIC —				
Mining claims				
Survey	—	4,458.80	—	4,458.80
Line cutting	—	865.80	—	865.80
Consulting	—	4,650.00	—	4,650.00
Drilling	—	10,507.55	—	10,507.55
Licenses	—	840.00	—	840.00
Assays	—	20.50	—	20.50
Supplies	—	306.35	—	306.35
Transport	—	674.09	—	674.09
General	—	204.22	—	204.22
Recovered from participant	—	(11,263.65)	—	(11,263.65)
	—	11,263.66	—	11,263.66
GENERAL EXPLORATION	—	218.50	218.50	—
TOTAL EXPLORATION AND DEVELOPMENT EXPENSES	\$55,584.29	\$32,586.41	\$13,431.01	\$74,739.69

PRESS RELEASE

FOR IMMEDIATE RELEASE:

THE TORONTO STOCK EXCHANGE
PUBLIC RELATIONS & STATISTICS

TORONTO - NOVEMBER 30, 1964 - THE TORONTO STOCK EXCHANGE HAS RECEIVED FURTHER INFORMATION FROM THE SOLICITORS FOR BOTH McWATTERS GOLD MINES LIMITED AND QUEBEC MANITOU MINES LIMITED.

THE SOLICITORS OF McWATTERS GOLD MINES LIMITED ADVISED AS FOLLOWS: " FOLLOWING A MEETING OF THE FULL BOARD OF DIRECTORS OF McWATTERS HELD THIS AFTERNOON, THE DIRECTORS HAVE REITERATED THE COMPANY'S CONTENTION THAT ALL PREVIOUS INTEREST OF QUEBEC MANITOU MINES LIMITED IN CERTAIN MINING CLAIMS IN LANGMUIR TOWNSHIP ORIGINALLY ESTABLISHED IN THE MAY 1962 AGREEMENT BETWEEN THE COMPANIES, HAS BEEN SURRENDERED TO McWATTERS BY VERBAL AGREEMENT. THE COMPANY UNDERSTANDS THAT QUEBEC MANITOU INTENDS TO INSTITUTE LEGAL PROCEEDINGS AND THE COMPANY WILL DEFEND SAME TO THE FULLEST EXTENT. IN THE INTEREST OF THE SHAREHOLDERS OF BOTH COMPANIES THE CURRENT DRILLING PROGRAMME WILL PROCEED IN ACCORDANCE WITH RECOMMENDATIONS OF McWATTERS ENGINEERS AND WITHOUT PREJUDICE TO THE RIGHTS OF THE TWO COMPANIES AS THEY MAY BE DETERMINED BY ANY SUCH COURT ACTION."

THE SOLICITORS FOR QUEBEC MANITOU MINES LIMITED HAS ADVISED AS FOLLOWS: " THE DIRECTORS MET TODAY; THE FULL BOARD OF SEVEN DIRECTORS BEING PRESENT, TOGETHER WITH THEIR COUNSEL.

AFTER A FULL DISCUSSION, THE BOARD DECIDED THAT THE AGREEMENT OF MAY 31, 1962 BETWEEN McWATTERS GOLD MINES AND QUEBEC MANITOU IS STILL IN EFFECT AND THAT UNDER IT, THEY ARE ENTITLED TO A 50% PARTICIPATION IN THE LANGMUIR TOWNSHIP CLAIMS.

THEY DENY THAT THAT AGREEMENT WAS EVER ABROGATED OR THAT ANYONE HAD ANY POWER TO ABROGATE IT ON THEIR BEHALF. UNLESS THIS POSITION IS CONCEDED BY McWATTERS, THE DIRECTORS OF QUEBEC MANITOU WILL INSTRUCT COUNSEL TO TAKE APPROPRIATE ACTION ON BEHALF OF THE COMPANY TO ESTABLISH ITS RIGHTS.

AS IT IS CLEARLY IN THE INTEREST OF THE SHAREHOLDERS OF BOTH COMPANIES SO TO DO, THE COMPANIES HAVE AGREED THAT THE RECOMMENDED DRILLING PROGRAM SHOULD BE PROCEEDED WITH WITHOUT PREJUDICE TO THE RIGHTS OF EITHER COMPANY AS THOSE RIGHTS MAY FINALLY BE DECIDED."

DEE'S RELEASE

THE FOLLOWING IS A SUMMARY OF THE INFORMATION RECEIVED FROM THE SOURCE DURING THE PAST SEVERAL MONTHS. THE SOURCE HAS BEEN IN CONTACT WITH THE INDIVIDUALS NAMED IN THE ATTACHED LIST AND HAS BEEN ADVISED THAT THEY ARE CURRENTLY IN THE PROCESS OF OBTAINING THE NECESSARY DOCUMENTS TO ENTER THE COUNTRY. THE SOURCE HAS ALSO BEEN ADVISED THAT THE INDIVIDUALS NAMED IN THE ATTACHED LIST ARE CURRENTLY IN THE PROCESS OF OBTAINING THE NECESSARY DOCUMENTS TO ENTER THE COUNTRY.

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